Issue Brief

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2018 Medicare Trustee Report Released; Part A Would Be Depleted In 2026

The Boards of Trustees of the Federal Hospital Insurance (Medicare Part A) and the Federal Supplementary Medical Insurance (Medicare Part B) Trust Funds issued their 2018 Annual Report.

The Social Security Act requires that the board, among other duties, report annually to Congress on the financial and actuarial status of the HI and SMI trust funds. The 2018 report is the 53rd that the board has submitted.

In 2017, Medicare covered 58.4 million people: 49.5 million aged 65 and older and 8.9 million disabled. More than 34 percent of these beneficiaries chose to enroll in Part C private health plans that contract with Medicare to provide Part A and Part B health services.

Total expenditures in 2017 were $710.2 billion, and total income was $705.1 billion, which consisted of $694.3 billion in noninterest income and $9.8 billion in interest earnings. Assets held in special issue U.S. Treasury securities decreased by $5.0 billion to $289.6 billion.

The estimated depletion date for the HI trust fund is 2026, three years earlier than in last year's report. HI income exceeded expenditures by $2.8 billion. The trustees project deficits in all future years until the trust fund becomes depleted in 2026.

The SMI trust fund is expected to be adequately financed over the next 10 years and beyond because premium income and general revenue income for Parts B and D are reset each year to cover expected costs and ensure a reserve for Part B contingencies. The Part B premium for 2018 is $134.00, the same as for 2017. However, a hold-harmless provision limited the premium increase in 2016 and 2017 for about 70 percent of enrollees. These Part B enrollees saw an increase in their Part B premium from about $109 in 2017, on average, to about $130, on average, in 2018.

The trustees are issuing a determination of projected excess general revenue Medicare funding in this report because the difference between Medicare's total outlays and its dedicated financing sources is projected to exceed 45 percent of outlays within seven years. Since this is the second consecutive such finding, the law specifies that a Medicare funding warning is triggered and that the president must submit to Congress proposed legislation to respond to the warning within 15 days after the submission of the Fiscal Year 2020 Budget. Congress is then required to consider the legislation on an expedited basis. Such funding warnings were previously made in each of the 2007 through 2013 reports.

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continued

Comment

Congress has, in many cases, "kicked the can down the road" rather than deal with the long-term financial status of the program. As noted above, current law would require Congress to act in 2020, which will probably be a more difficult issue since 2020 also is a presidential election year.

The report is 260 pages. Much is devoted to assumptions between now and 2092. It is amazing that assumptions are being made 75 years into the future.

PART A (HI) 10-YEAR ACTUARIAL ESTIMATES (2018-2027)

In 2016 and 2017, there was a fund surplus amounting to $5.4 billion and $2.8 billion, respectively. Deficits are projected to return beginning in 2018 and to persist for the remainder of the projection period.

Estimated Operations of the HI Trust Fund Under Intermediate Assumptions, Calendar Years 2017-2027 [Dollar amounts in billions]

Calendar Year	Total Income[1]	Total Expenditures	Change in Fund	Fund at Year End	Ratio of Assets to Expenditures[2]
2017[3]	$299.4	$296.5	$2.8	$202.0	67%
2018	$305.5	$310.7	–$5.2	$196.8	65%
2019	$325.0	$328.2	–$3.1	$193.6	60%
2020	$343.4	$348.5	–$5.1	$188.5	56%
2021	$362.7	$372.7	–$10.1	$178.4	51%
2022	$382.3	$400.7	–$18.4	$160.0	45%
2023	$402.3	$429.8	–$27.5	$132.6	37%
2024	$423.5	$459.5	–$36.1	$96.5	29%
2025	$444.8	$490.8	–$46.0	$50.5	20%
2026[4]	$470.8	$522.7	–$51.9	–$1.4	10%
2027[4]	$497.5	$554.8	–$57.3	–$58.7	[5]

1. Includes interest income.

2. Ratio of assets in the fund at the beginning of the year to expenditures during the year.

3. Figures for 2017 represent actual experience.

4. Estimates for 2026 and 2027 are hypothetical since the HI trust fund would be depleted in those years.

5. Trust fund reserves would be depleted at the beginning of this year.

Note: Totals do not necessarily equal the sums of rounded components.

The short-range financial outlook for the HI trust fund has deteriorated as compared to the projections in last year's annual report. This result is largely due to (i) lower income from payroll taxes attributable to lowered wages for 2017 and lower levels of projected GDP, (ii) lower income from the taxation of Social Security benefits as a result of legislation, (iii) higher expenditures in 2017, (iv) legislation that raised hospital expenditures, and (v) higher Medicare Advantage payments attributable to higher risk scores for beneficiaries enrolled in MA plans.

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PART B (SMI) 10-YEAR ACTUARIAL ESTIMATES (2018-2027)

For Part B, expenditures grew at an average annual rate of 5.5 percent over the past five years, exceeding GDP growth by 1.8 percentage points annually, on average. Estimated Part B cost increases average about 8.2 percent for the five-year period, 2018 to 2022, faster than the GDP growth rate of 4.7 percent for the same five-year period.

Estimated Operations of the SMI Trust Fund Under Intermediate Assumptions, Calendar Years 2017-2027 [Dollar amounts in billions]

Calendar Year	Total Income[1]	Total Expenditures	Change in Fund	Fund at Year End
Part B account:				
2017[2]	$305.6	$313.7	-$8.1	$79.9
2018	$358.2	$339.9	$13.4	$93.3
2019	$373.6	$366.5	$7.1	$100.3
2020	$416.7[3]	$394.7	$22.0	$122.3
2021	$423.7[3]	$429.4	-$5.6	$116.7
2022	$475.0	$465.8	$9.1	$125.8
2023	$515.3	$505.3	$10.0	$135.9
2024	$560.0	$549.6	$10.5	$146.3
2025	$605.7	$595.7	$10.0	$156.3
2026	$671.6[3]	$637.8	$33.8	$190.1
2027	$680.9[3]	$685.3	-$4.4	$185.8
Part D account:				
2017[2]	$100.2	$100.0	$0.2	$7.8
2018	$93.8	$94.5	-$0.7	$7.1
2019	$104.2	$103.7	$0.5	$7.6
2020	$114.5[3]	$113.7	$0.7	$8.3
2021	$123.9[3]	$123.2	$0.7	$9.1
2022	$134.9	$134.1	$0.8	$9.9
2023	$146.0	$145.2	$0.8	$10.7
2024	$158.0	$157.2	$0.9	$11.6
2025	$168.6	$167.8	$0.8	$12.4
2026	$182.3[3]	$181.3	$1.0	$13.4
2027	$196.4[3]	$195.3	$1.1	$14.5
Total SMI:				
2017[2]	$405.7	$413.6	-$7.9	$87.7
2018	$447.0	$434.3	$12.7	$100.4
2019	$477.7	$470.2	$7.6	$107.9
2020	$531.2[3]	$508.5	$22.7	$130.7
2021	$547.6[3]	$552.5	-$4.9	$125.8
2022	$609.9	$599.9	$9.9	$135.7
2023	$661.3	$650.5	$10.9	$146.6
2024	$718.0	$706.7	$11.3	$157.9
2025	$774.4	$763.6	$10.8	$168.7
2026	$853.9[3]	$819.1	$34.8	$203.5
2027	$877.3[3]	$880.6	-$3.3	$200.2

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continued

1. Includes interest income.

2. Figures for 2017 represent actual experience.

3. Section 708 of the Social Security Act modifies the provisions for the payment of Social Security benefits when the regularly designated day falls on a Saturday, Sunday or legal public holiday. Payment of those benefits normally due Jan. 3, 2021, is expected to occur on Dec. 31, 2020. Consequently, the Part B and Part D premiums withheld from these benefits and the associated Part B general revenue contributions are expected to be added to the respective Part B (about $14.2 billion) or Part D (about $0.3 billion) account on Dec. 31, 2020. Similarly, the payment date for those benefits normally due Jan. 3, 2027, will be Dec. 31, 2026. Accordingly, an estimated $22.8 billion will be added to the Part B account, and an estimated $0.5 billion will be added to the Part D account, on Dec. 31, 2026.

Comment

Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

While the report does contain much insightful information regarding current values, predicting what may happen in 10 years appears to be very subjective. Predicting what will happen in 75 years appears to be a fool's errand.

The trustees do point out that Congress needs to act to keep the program solvent, and the sooner it does so the better.

There are just so many ways to accomplish such. The major items include raising payroll taxes, raising the eligibility age for Medicare, and of course, limiting rates of increases to providers. Each has its own pros and cons.